

**City of Lincoln**  
**Citizen's Ad Hoc Water Rate Committee Meeting**

**November 27, 2017**

**3:00 p.m.**

**Lincoln City Hall**

**600 Sixth Street**

**Lincoln, CA 95648**

**Meeting Notes**

Purpose of Committee Meetings: Consider whether the City should issue credits/refunds to water customers that go beyond a one year statute of limitations. The question must consider the legality or public purpose of issuing additional credits then the financial and rate implications. The Council is looking for clear and concise recommendation(s) from the committee along with reasoning/justification.

**Committee Members Present:**

Jerry Harner (City Treasurer, Committee Chair)

Hank Lipschitz

Paul Apfel

John Fischer

Chris O'Keefe

Paul Jansen

Mike Miller

Linda Stackpoole

Ted Jones

Mark Luster

**1. Overview**

**a. Chairman Comments**

- Chairman reviewed comments included on page 4 of agenda packet.

**b. Background**

**i. Status of Committee's Previous Recommendations and Prop 218 Hearing:**

- The Ad Hoc Water Rate Committee met six (6) times between February 2017 and May 2017 working closely with City staff and water rate consultant, Raftelis Financial Consultants (RFC), to develop recommendations on key financial policies that would guide the development of the water rate study.
- Three key recommendations were developed by the Committee and reviewed by City Council at two study sessions (June 15 and June 26, 2017) dedicated to reviewing the committee's recommendations and

water study findings. The three recommendations of the Ad Hoc Water Rate Committee included:

- By a vote of 8-1, the Committee recommended a 33% Operating Reserve of estimated expenditures for Fund 710.
- By a vote of 9-0, the Committee recommended funding a Capital Improvement Reserve to cover the average of the annual capital expenditures required to complete deferred maintenance within 10 years.
- By a vote of 9-0, the Committee recommended a single-city wide uniform volumetric rate with no zones.

- During the Council's study sessions, the City Council advised staff to include the Ad Hoc Committees' recommendations in the rate study.
- The Proposition 218 hearing process has been delayed until final decision on credits/refunds can be made. RFC's rate study cannot be finalized until this decision has been made.

ii. General Overview of Mediated Settlement and Water Account Credits:  
Staff reviewed information on page 12 of agenda packet.

c. Scope of Council Request

- The City of Lincoln agreed to a mediated settlement for issuing credits to residential water customers who generally used water in tiers 4 and 5 and above 21,000 gallons during any billing period between February 2016 and the adoption of new water rates (expected in early 2018). This time period was legally restricted to the State's statute of limitations of one year. Approximately 30% of residential water customers are eligible to receive credits.
- On November 7, 2017, the City Council approved issuing credits to non-residential customers for the same time period governing the issuance of credits/refunds to residential customers.
- Staff reviewed the scope of Council's request with the Citizens' Ad Hoc Committee found on page 15 of the agenda packet which concerns itself with issuing credits to water customers beyond the one year state of limitations.

2. Examination of Focus Areas

- a. Legal
- b. Financial
- c. Rates

- Staff used the remainder of the meeting to reviewing agenda materials on page 16 through page 28 and answering questions from the Committee and audience.
- Three (3) options were reviewed:
  - 1) No additional credits beyond one year statute of limitations.
  - 2) Additional credits going back to April 2015, which corresponds to the date of the San Juan Capistrano case which provided important

clarification on the validity of tiered rates provided the rate for each tier doesn't exceed the cost of service for the respective tier.

- 3) Additional credits going back to January 2014, which corresponds to the date the rates became effective.

Next Steps:

- Next Citizens' Ad Hoc Committee Meeting is scheduled for Thursday, November 30, 2017 at 3:00 p.m.
- Meeting will be dedicated to reviewing options and justifications for Council's consideration.